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executive report 1972

... a survey of executive opinion

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"EXECUTIVE REPORT - 1972"

. . . a survey of executive opinion



A Publication of the
Economic Research Branch
DEPARTMENT OF INDUSTRY AND COMMERCE
GOVERNMENT OF ALBERTA

January, 1972

HONOURABLE F.H. PEACOCK
Minister

R.G. McFARLANE
Deputy Minister

F O R E W O R D

Alberta's economic prospects as expressed in this report reflect the opinions of 400 business executives heading prominent Alberta business enterprises.

This report is third in a series of publications projecting Alberta's economic future. The objective of this series is to assist Alberta executives in planning for 1972 and beyond.

Please direct all enquires and
comments to:

Economic Research Branch,
Department of Industry and Commerce,
Room 1502, Centennial Building,
Edmonton, Alberta.

Attention: Mr. E.G. Shaske,
Supervisor,
Economic Analysis.

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INTRODUCTION

"Executive Report-1972" is the third in a series of Executive Reports and the second executive opinion survey conducted by the Economic Research Branch. This report presents a review and forecast of economic activity as reported by senior executives in the Province of Alberta. The survey was conducted through a questionnaire mailed to over 600 executives of firms located in Alberta. Included in this total are 25 associations representing Chambers of Commerce and municipalities in the Province.

NUMBER OF RESPONDENTS - BY INDUSTRY CLASSIFICATION

<u>Industry</u>	<u>Number of Firms Responding</u>
Manufacturing	92
Mining	65
Construction	50
Agriculture	31
Forestry	7
Transportation	24
Communication	8
Utilities	4
Investment, Finance, etc.	32
Trade	64
Recreation and Travel	<u>17</u>
TOTAL RESPONSE	394

PROSPECTS FOR 1972.....CONTINUED EXPANSION

Performance in all major sectors of Alberta's economy has shown improvement in 1971 over 1970 and expectations for 1972 are for continued expansion, despite the many external constraints evidenced during the last six months of 1971.

The favourable expectations for 1972 are made with considerable qualification. The restrictive federal legislation presented to Parliament in 1971 has created considerable uncertainty in Alberta's business community. This uncertainty is viewed by respondents to the 1972 survey as one of the major impediments to investment growth and job creation in Alberta. Federal legislation which has contributed significantly towards increased uncertainty includes the proposed Competition Act (Bill C-256), the proposed Labour Act (Bill C-253) and the still very confusing revised Tax Act (Bill C-259).

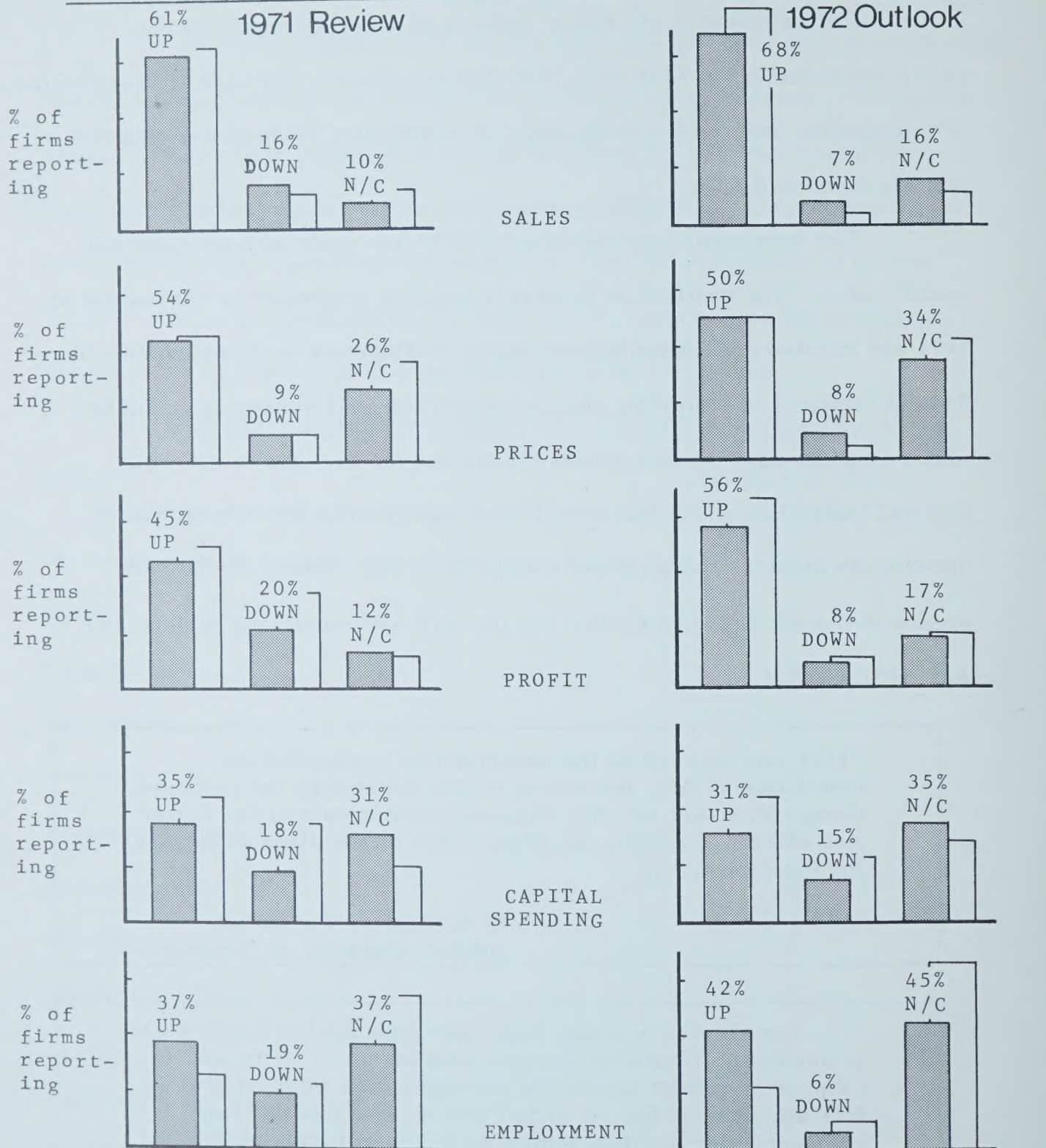
"1971 was marked by the uncertainties created by the new Taxation Act, the strong doubts created by the proposed Competition Act and the proposed amendments to the Labour Act which had a very unsettling effect on the plans of business for the future...."

G. E. Illsley, President,
Alberta Chamber of Commerce

"....the efficiency of our long term planning for future years is seriously limited by business and economic uncertainties. General economic conditions are something we must always face and analyse but, in recent years, analysis has been compounded more than somewhat by federal legislation which can only serve to slow economic growth.

....continued

Prospects for '72 Continued Expansion



a survey conducted by the Economic Research Branch for Alberta only
 a survey conducted by "The Financial Post" for all of Canada.

The recent "tax reform" legislation is an excellent example. Commencing with the Carter Report several years ago, we are now faced with a massive amendment to already complicated tax legislation. We find that all our tax and legal consultants can advise us as to the general intention of much of the legislation but, in many cases, cannot provide clear advice on cause and effect in specific situations. This in itself, makes it very difficult to analyse specific business opportunities and almost impossible to undertake long term corporate planning in a meaningful way.

In addition, we have given careful review to Federal Bill C-256 (competitions or combines) and Bill C-253 (Labour Code) and can only be appalled. In the last three to four years, senior officers of this Company have spent as much or more time in the analysis of highly questionable federal legislation as they have in endeavouring to run the Company.

We believe that our fiscal 1972 corporate year will be excellent but that these results arise more from past planning and in spite of present business uncertainties. We would like to see the government "legislative variable" in long term planning reduced to a manageable function from its present awesome proportions."

J. E. Joudrie, President,
& Chief Executive Officer,
Ashland Oil Canada Limited.

In review, performance on the national level ¹ in 1971 was similar to that reported for Alberta. Substantial increases in employment at the national level were not realized, but a slightly more favourable review was presented by the Alberta respondents. Approximately 50 per cent of the respondents in both the national and Alberta surveys reported increases in profits and approximately 40 per cent indicated increases in capital spending.

1. National Survey of opinion conducted by "The Financial Post".

EXECUTIVE REVIEW
1971 vs 1970

Figures are expressed as a percentage of replies (columns do not necessarily add to 100 per cent because executives making no estimates are not included).

<u>INDICATOR</u>		<u>CANADA</u> %	<u>ALBERTA</u> %
Sales:	Increased	66	61
	Decreased	13	16
	No Change	14	10
Prices:	Increased	55	54
	Decreased	9	9
	No Change	34	26
Profits:	Increased	50	45
	Decreased	33	20
	No Change	11	12
Capital Spending:	Increased	44	35
	Decreased	35	18
	No Change	20	31
Employment:	Increased	25	37
	Decreased	22	19
	No Change	53	37

For 1972, considerable optimism is indicated. In both the Canadian and Alberta surveys about one half of the respondents are forecasting price increases with approximately 40 per cent expecting no change in 1972. Two-thirds of those in the national survey and 56 per cent of the Alberta respondents expect profit increases in 1972.

For the Alberta economy, prospects for 1972 are for a better sales, profit and employment year. Fewer respondents expect price increases in 1972 from those recorded in 1971 and more expect no change. Capital expenditure prospects compare less favourably to changes recorded in 1971.

EXECUTIVE OUTLOOK
1972 vs 1971

Figures are expressed as a percentage of replies (columns do not necessarily add to 100 per cent because executives making no estimates are not included).

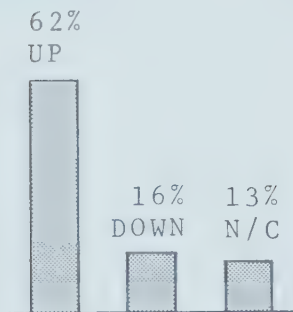
<u>INDICATOR</u>		<u>CANADA</u> %	<u>ALBERTA</u> %
Sales:	Increased	77	68
	Decreased	3	7
	No Change	12	16
Prices:	Increased	50	50
	Decreased	4	8
	No Change	43	34
Profits:	Increased	66	56
	Decreased	10	8
	No Change	18	17
Capital Spending:	Increased	45	31
	Decreased	22	15
	No Change	29	35
Employment:	Increased	22	42
	Decreased	10	6
	No Change	65	45

The inflation recorded in the 1960's appeared to abate in 1971, at least temporarily. This partial control was accomplished at the expense of employment. Today, employment both in Canada and Alberta has become a priority concern, however, the threat of accelerated inflation persists.

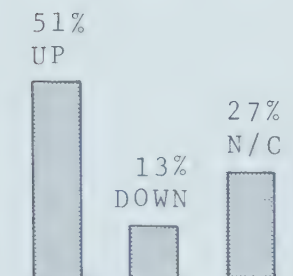
MANUFACTURING INDUSTRY

1971 REVIEW

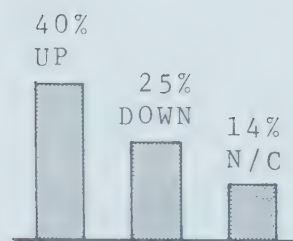
(as a % of Replies) ¹



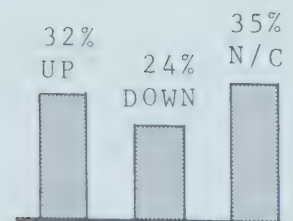
REVENUE UP ²
+5% to +20%



PRICES UP
0% to +5%



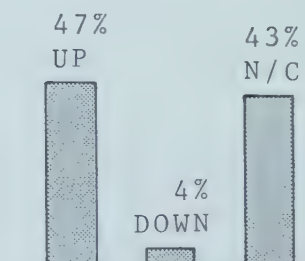
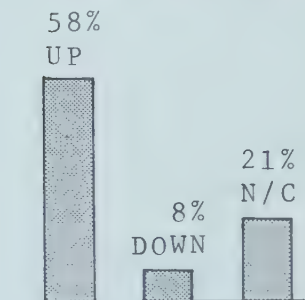
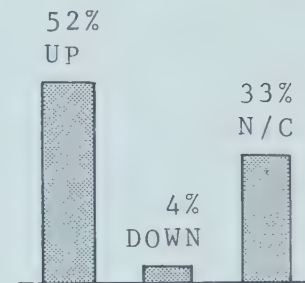
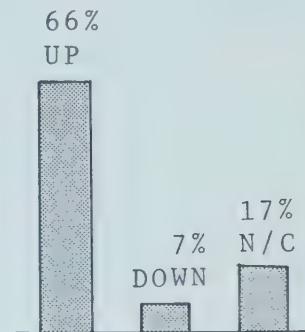
PROFIT UP
0% to +20%



EMPLOYMENT UP
0% to +10%

1972 OUTLOOK

(as a % of Replies)



1. See Appendix for definition.

2. Range given is mid 50% range. See Appendix.

MANUFACTURING

"The uncertainties in the general business outlook are mostly political. Problems of increased costs, market changes and loss of sales can eventually be overcome by competent management, but the announced intentions of the federal government seem designed to do nothing but impede the industrial development of this country.

The outlook for the meat packing industry in 1972 is good. Employment in the industry depends on the level of live-stock marketings. There should be an increase in cattle deliveries and although hog marketings may show some decline, numbers will still be substantial. In view of the price freeze in the U.S., there may be greater imports of American pork in 1972. The U.S. price freeze may also make it more difficult for Canada to sell pork to Japan..."

A.J.E. Child, President,
Burns Foods Limited.

The 1971 value of manufacturing shipments in Alberta was estimated at close to \$2 billion, an increase in output of over 4 per cent from 1970. The mixed performance within the manufacturing industry is exemplified by:

- food and beverage industries recording shipments of \$810 million, up 6 per cent from the \$763 million recorded in 1970;
- primary metals industries experiencing a decline of almost 27 per cent in the value of shipments when comparing 1971 to 1970; and
- petroleum refining shipments increasing by 4 per cent to \$185 million.

Prospects for sales revenue in the manufacturing industry for 1972 are positive. An increase in sales revenue in 1972 is expected by 66 per cent of the respondents. As well, 58 per cent of the executives expect an increase in profits in 1972. Expectations for changes in employment levels

are positive. However, approximately 45 per cent of the respondents expect no change in 1972.

It is expected that the value of manufactured shipments will increase in 1972 over 1971 by 6 per cent. Factors influencing this change are stronger consumer demand, increased personal incomes and easier credit terms.

Forecasted Changes in Various Economic Indicators for
the Manufacturing Industry

	Percentage Change	
	1971	- 1972
Value of Manufacturers' Shipments		+ 6%
Slaughtered Meat Production		+ 2%
Slaughtered Meat Exported		+ 4%
Refinery Production		+12%
Cement Production		+ 3%

Sales Revenues of Manufacturing Industries - By Type

<u>Description</u>	<u>Average of Predictions for 1972¹</u>	<u>Value of Manufacturers' Shipments</u>	
		<u>2</u> <u>1971</u> — \$ '000 —	<u>1972 (Forecast)</u> —
Food and Beverages	+ 7%	810,000	866,000
Textile, Wood Products			
Paper and Allied Industries	+ 6%	320,000	339,000
Primary Metal	+16%	122,000	142,000
Machinery and Equipment	+15%	112,000	129,000
Non-Metallic Mineral Products	+ 7%	115,000	123,000
Chemical and Chemical Products	+ 8%	120,000	130,000
Others not included in executive survey, assuming same performance in 1972 and experienced in 1971	- - -	376,000	376,000
TOTAL	+ 5.7%	1,992,000	2,105,000
SECOND ESTIMATE ³	+ 6%		2,112,000

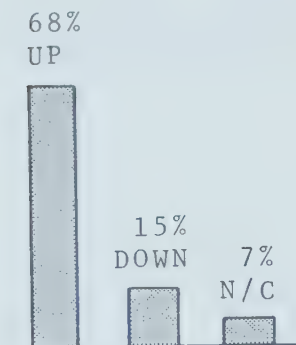
Source:

1. "Executive Report-1972"-responses to sales revenue questions.
2. Alberta Bureau of Statistics year-end estimates.
3. Estimated increase based on executives' forecast of economic indicators for 1972.

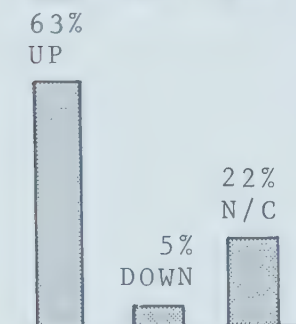
Petroleum and Natural Gas INDUSTRY

1971 REVIEW

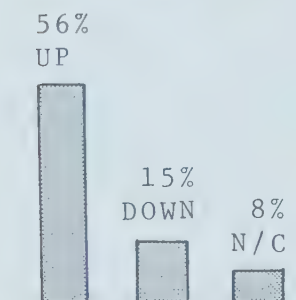
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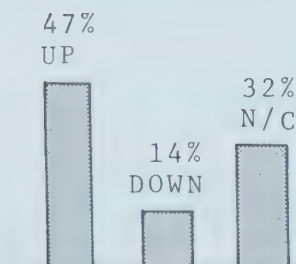
REVENUE UP
0% to +15%



PRICES UP
0% to +5%



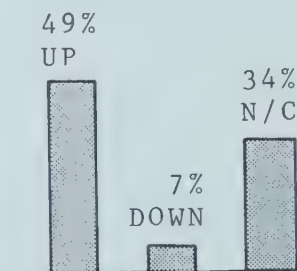
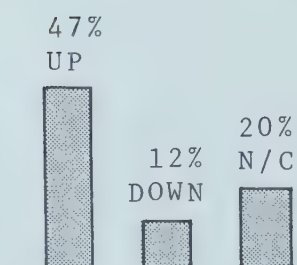
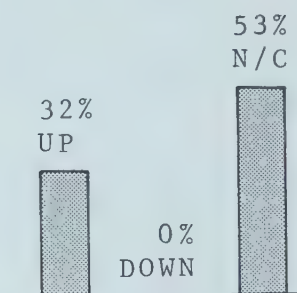
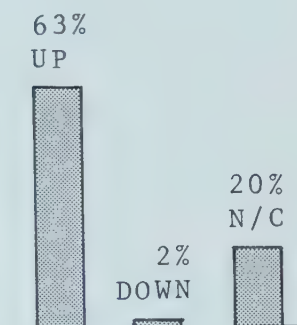
PROFIT UP
0% to +20%



EMPLOYMENT UP
0% to +10%

1972 OUTLOOK

(as a % of Replies)



MINING

Mineral production in 1971 was substantially above levels recorded in 1970. The dollar value of Alberta mineral production in 1971 is estimated at \$1.65 billion, an 18 per cent increase over 1970. This record value of output established Alberta as the most significant producer of minerals in Canada. Expectations for 1972 are for continuance of this positive growth.

Oil and Gas

Oil, gas and L.P.G. production continued strong in 1971. However, exploration activity has shown signs of weakness. Production of sulphur increased, but the value of sales dropped substantially, due to the world oversupply situation. Oil production of nearly 375.0 million barrels was 10 per cent higher than in the first eleven months of 1970. This coupled with higher prices for crude oil boosted the value of sales in the first eleven months of 1971 by nearly 24 per cent to \$1,091.7 million over the same period in 1970. Gas production of 1.93 trillion cubic feet in the first eleven months of 1971 was 11 per cent higher than production in the first eleven months of 1970. The value of gas sales in 1971 rose in line with production. Sales of almost \$240 million to the end of November were over 9 per cent higher than sales in the corresponding period of 1970.

"The Alberta petroleum industry had a healthy growth in revenues in 1971. The most important factors in this growth were the price increases for crude oil and condensate that became effective in December, 1970, and the higher rates of production from existing crude oil reserves that resulted from the large increase in market demand. Continued expansion of natural gas processing facilities also contributed to the

. . . continued

industry's revenue growth but the full potential from this source was not realized due to the further deterioration in sulphur prices and marketability. The generally favourable results were further offset by the dearth of discoveries and failure to add to recoverable reserves despite the maintenance of expensive exploration and development programs."

An overall increase in revenue, profit, prices and employment was experienced by the industry in 1971. Expectations for 1972 are promising, although there are reservations with respect to the level of exploration activity, sulphur marketability, pricing and various federal government programs which could restrict active development in the industry.

"In 1972, the prospective growth in market demand for both liquid hydrocarbons and natural gas should result in substantial gains in industry revenues. However, these gains are unlikely to match the 1971 performance without the further price increases which are needed to provide adequate incentives for the increasingly costly search for new reserves...."

"...A downward trend in exploration for oil and gas in Alberta has become increasingly evident during the past few years. This decline stems from lack of success in finding new oil or gas fields and industry's application of exploration funds in areas outside of the Province. The far north and offshore East Coast are taking a larger share of exploration expenditures."

"During the past year the petroleum industry has held back, partly in deference to the new tax legislation which was proposed. It has not been stagnant, however. This pause has allowed the industry to regroup and consolidate their position. Future hydrocarbon requirements still are one of their prime considerations and has provided a steady influence on industry thinking and long-range corporate aims.

As a result, during 1971, there was a noticeable drop in activity in exploration and expenditure of risk and development monies. The petroleum industry, simultaneously and with forewarning, had also been waiting to receive the ex-

. . . continued

pected National Energy Board ruling on export of petroleum products. Political influences in this respect have been prevalent throughout 1971. This ruling has now been published. It has been received with a dichotomy of response from the industry.

It is expected that the effect of the ruling will be one of imposing an upward pressure on the wellhead prices of hydrocarbon products. The corollary of this will be to increase the potential present worth of numerous oil companies who own considerable reserves. It will also stimulate future exploration and development of reserves. Thus, 1972 should be a year of expansion for the petroleum industry in Alberta.

It is further expected that by the end of 1972 or early in 1973, the National Energy Board will reverse their decision and allow further export of petroleum products."

Dr. J. Duby,
Director,
Blain, Binnie & Associates.

Forecasted Changes in Various Economic Indicators for the Mining Industry - Oil and Gas

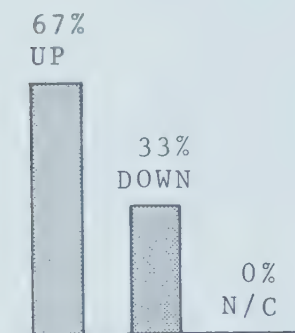
	Percentage Change	
	1971	1972
Oil Production (Crude Oil & Equivalent)		+12%
Gas Production		+ 9%
Footage Drilled		- 1%
Number of Drilling Licenses		- 4%

MINING INDUSTRY

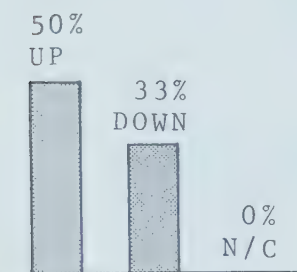
OTHER THAN PETROLEUM AND NATURAL GAS

1971 REVIEW

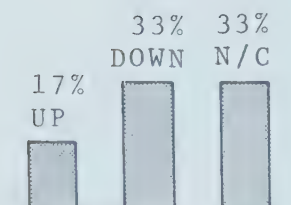
(as a % of Replies)



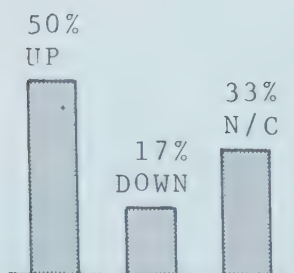
REVENUE UP
+10% to +20%



PRICES UP
+5% to +8%



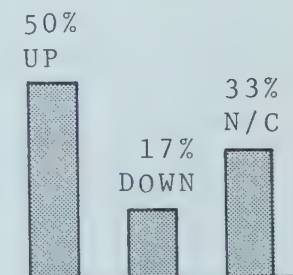
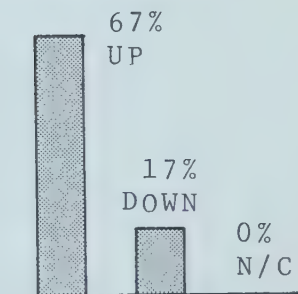
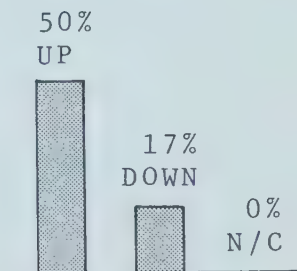
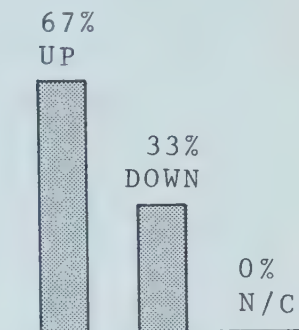
PROFIT UP
+15% to +30%



EMPLOYMENT UP
0% to +5%

1972 OUTLOOK

(as a % of Replies)



Coal

The Japanese demand for coal has provided considerable stimulus to the revitalization of the Canadian and Alberta coal industry in 1971. Production in 1972 is forecasted by coal company executives to increase by 13 per cent.

Although far outranked by oil and gas production, coal mining is a rapidly growing sector of Alberta's mineral industry. In 1971, coal output of 8.9 million tons was valued at \$41.8 million, compared with production of 6.8 million tons valued at \$26.7 million for 1970.

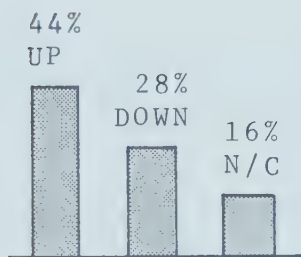
"The Alberta coal industry is divided into two basic segments, one providing low rank coals for thermal power generation - the other, anthracite and bituminous coals for other industry and export. The former can expect continued growth throughout the year, the latter will likely show little or no gain in the first half of 1972, but should pick up appreciably in the second half on the assumption that Japan and Europe achieve some growth in that period and that the U.S. resolves its economic problems without disrupting the world trade patterns."

In view of the current market conditions and generally favourable prices, it is expected that coal production will continue to expand steadily throughout 1972. Indeed, the future of the coal industry in Alberta remains extremely optimistic, with expectations enhanced by the growing long-term markets in Eastern Canada, United States and Japan.

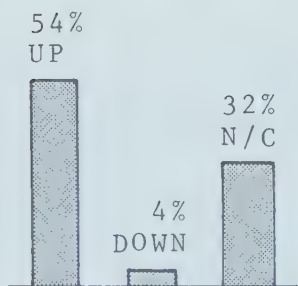
CONSTRUCTION INDUSTRY

1971 REVIEW

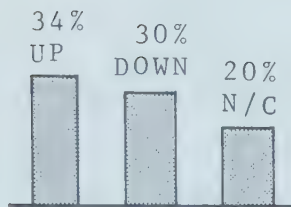
(as a % of Replies)



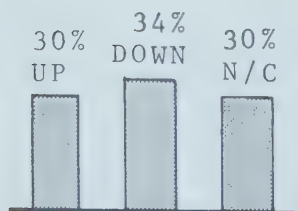
REVENUE UP
0% to +25%



PRICES UP
+3% to +8%



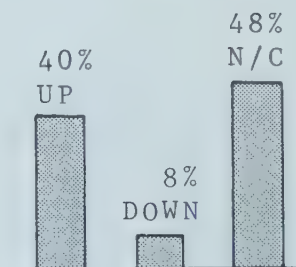
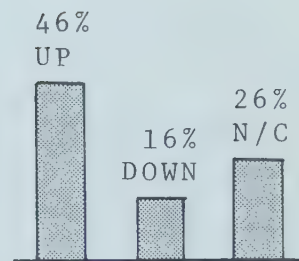
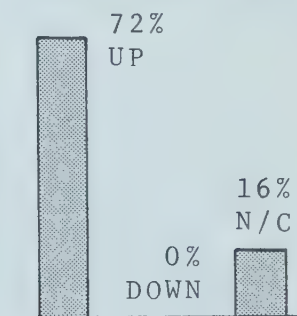
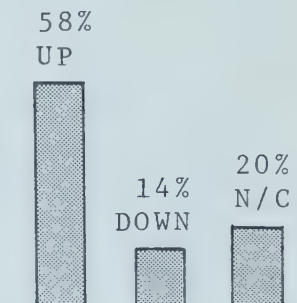
PROFIT UP
0% to +15%



EMPLOYMENT UP
0% to +10%

1972 OUTLOOK

(as a % of Replies)



CONSTRUCTION

The performance of the construction industry in Alberta in 1971 was most encouraging. Total value of building permits for 1971 were 36 per cent higher than for 1970. The value of commercial and industrial building permits issued were up 69 and 23 per cent, respectively, for 1971. Government and institutional permits were down by slightly over 7 per cent. To the end of November 1971, urban dwelling unit starts were over 67 per cent above 1970. Residential building permits for the same period recorded a gain of over \$100 million, an increase of nearly 45 per cent over 1970.

For 1972, prospects are encouraging, with the major impetus coming from a sustained high level in housing activity.

"Outlook for 1972.

- mortgage money should remain plentiful at least through first half;
- land around Calgary is in reasonably good supply; and
- interest rates should remain around present level.

These factors point to a year at least as good as 1971.

Possible dampening influences:

- rapidly rising material costs will result in rising prices, and
- high apartment vacancy rate may lead to drop in apartment construction in Calgary."

In the commercial, government and institutional and heavy engineering construction segments, the outlook is mixed.

"The majority of our construction is in the commercial field, mainly office buildings and shopping centres, and it is our view that during 1972 the major urban centres in Alberta are saturated for office building requirements."

"The inflationary aspect of the economy and the drop in market demand in 1971 for primary products such as pulp, fertilizer, and nickel tended to curb the construction of new and/or additional facilities for industrial and petro-chemical plants in the latter half of 1971.

Whereas the volume of sales (construction) was maintained for 1971, with the backlog accrued from the last part of 1970 and the very early part of 1971, the backlog for 1972 has not materialized, as a result of the slow-down in planning in the last half of 1971. Consequently, the construction volume for the first part of 1972, at least, is expected to be drastically decreased.

Any anticipated upswing in activities in 1972 will not materialize into active construction till later in 1972 and perhaps into 1973.

The recent curb by the National Energy Board on the export of natural gas will tend to further curb construction activity in the petro-chemical area. However, a continued demand for additional electrical power, with the resulting construction programs, may equalize the loss in construction in petro-chemical industry.

The construction of a major refinery in the Edmonton area will have an impact in the last part of 1972, but predominantly in 1973."

Consulting and Architecture

Significant in gauging the immediate future of the construction industry are the prospects and work in progress for engineering and design firms.

"The year 1971 was extremely slow in the structural consulting business due to a number of factors. The major contribution to this slowdown was the fact that all levels of Government have cut back on their capital construction programs and therefore the design professions have been at a very low ebb. Other aspects that have contributed are the high costs of construction, high mortgage rates and the usual cyclical swings in the construction industry.

. . . continued

With the high rate of unemployment in Canada today, it is hoped that for 1972 there will be a stimulation of the construction industry by all levels of Government. Again this contributes to the cyclical nature of the industry, however, in order to put the labour force to work it seems necessary at this time. If all levels of Government take this attitude the private sector will also be stimulated, notwithstanding the higher costs of construction.

By and large, the structural engineering profession in Alberta should see an increase in activity during 1972. "

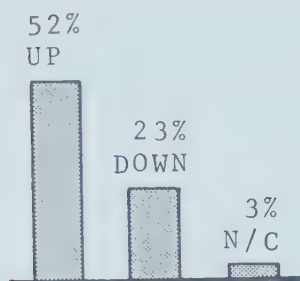
Forecasted Changes in Various Economic Indicators
for the Construction Industry

	Percentage Change	
	1971	1972
Capital and Repair Expenditures		+ 4%
Value of Building Permits		
- Commercial		- 4%
- Industrial		+15%
- Residential		+ 2%
Urban Dwelling Starts		- 2%
N. H. A. Mortgage Interest Rate (Average monthly rate)		8.63%

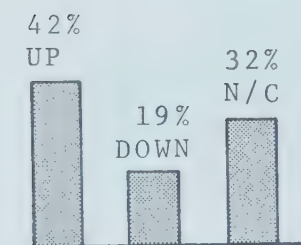
AGRICULTURAL INDUSTRY

1971 REVIEW

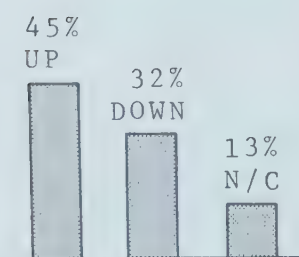
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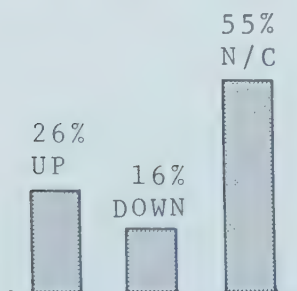
REVENUE UP
0% to +25%



PRICES UP
NO CHANGE



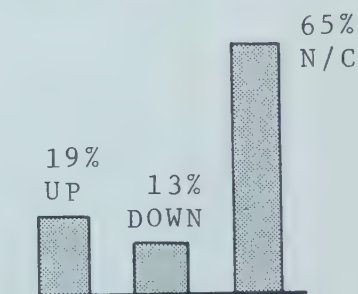
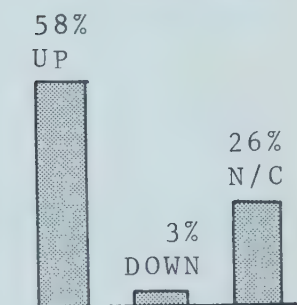
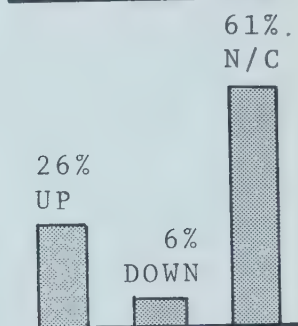
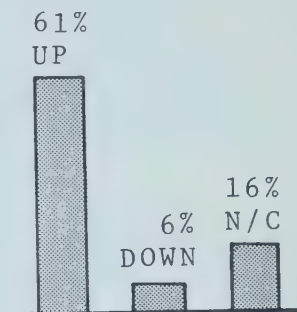
PROFIT UP
0% to +10%



EMPLOYMENT
NO CHANGE

1972 OUTLOOK

(as a % of Replies)



AGRICULTURE

Grain and livestock markets have set the stage for increased revenues in the agricultural industry in 1972. In review, total farm cash receipts in 1971 recorded an 11 per cent increase over 1970's level. Wheat shipments were up 6.5 per cent; marketing of cattle and hogs increased by 2 per cent and 27 per cent respectively. Performance in the past year indicated a recovery from the slump of 1969-1970.

The grain situation in 1972 is expected to be similar to that experienced in 1971. Cash receipts for barley and other feed grains are expected to increase slightly. Rapeseed returns are expected to remain firm. Receipts for wheat should increase substantially in 1972 due to the signing of a one-year contract with the People's Republic of China. This one-year contract, involves 117 million bushels of wheat and a value of \$200 million.

Projected activity in the livestock sector is for continued expansion. Marketings of livestock in 1971 displayed a volume increase of 16 per cent over 1970, while receipts to the farmer increased by 10 per cent. This apparent anomaly was caused by hog marketings, where the volume increased by over 25 per cent in 1971, but depressed prices resulted in an 8 per cent drop in cash receipts. In 1972, decreased hog production is expected to lead to improved prices and returns to the producer. The beef producer experienced a much more satisfactory year in 1971. Marketings were up 1 per cent and cash receipts up 4.5 per cent. For 1972, the prospects are favourable.

"For the first and second quarters of 1972, cattle marketings provincially are expected to be about the same as for these periods during 1971. Hog marketings will be liberal during the first quarter of 1972, drop in the second quarter and be reduced fairly sharply in the third and four quarters. Because of the larger calf marketings during the latter part of 1971, some increase in slaughter cattle can be expected in the third quarter of 1972- a larger increase is expected during the last quarter of 1972.

Slaughter cattle prices should remain firm during the first and second quarters of 1972, but may weaken in the third and fourth quarters.

Hog prices will remain firm for the first and second quarters of 1972, improving fairly sharply in the third and fourth quarters of 1972 as compared with the same period in 1971. The reduction in hog numbers will more than offset the slight increase in cattle."

Forecasted Changes in Various Economic Indicators for the Agriculture Industry

	Percentage Change 1971 - 1972
Grain Shipments Ex. Alberta Elevators	no change
Livestock Marketed at Packing Plants and Public Stockyards	+3.0%
Total Farm Cash Receipts	+3.5%

FORESTRY

Lumber

The greatest factor contributing to the buoyancy of the Alberta forest industry has been the significant increase in residential construction in Canada and the United States. With this trend expected to continue, removal of the U.S. surcharge and the elimination of the tariffs on lumber by the United States as specified in the Kennedy Round of international tariff negotiations, we should see another good year for lumber production and sales in Alberta in 1972.

"1971 has been a good year for the lumber industry, and indications are for an equally good year in 1972. The market has been solid and steady in the industry which has historically been subjected to violent fluctuations."

F.N. Pinnell, President,
Swanson Lumber Co. Ltd.

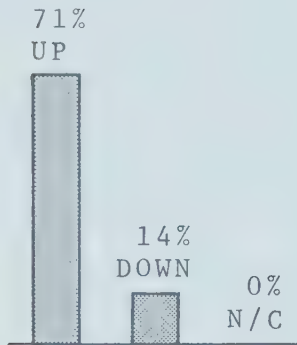
"The lumber industry has a well-known history of radical price increases and declines, each of varying lengths of time. During 1971, a generally healthy sales price level existed. This favourable price level was, however, reduced by the effects of the United States' new economic program in the application of the surcharge and more so by equalization of the U.S. /Canadian dollar. While these items are reducing current income, long-term advantages should result when the U.S. economy strengthens."

In total, the outlook for 1972 is optimistic. However, there is considerable concern as to the prospects for 1973.

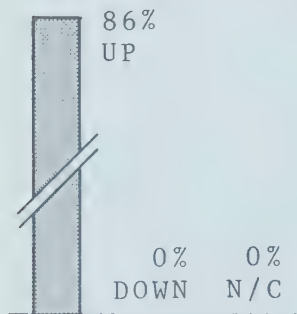
FORESTRY INDUSTRY

1971 REVIEW

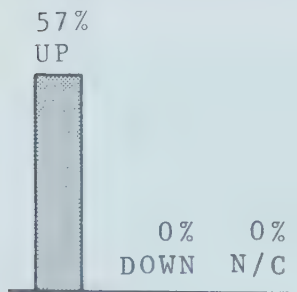
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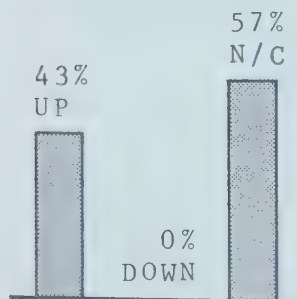
REVENUE UP
+12% to +29%



PRICES UP
0% to +13%



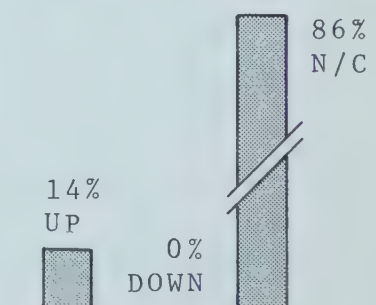
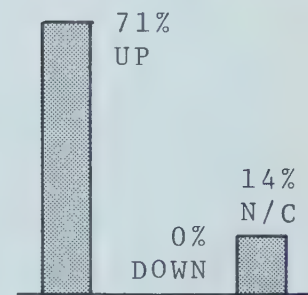
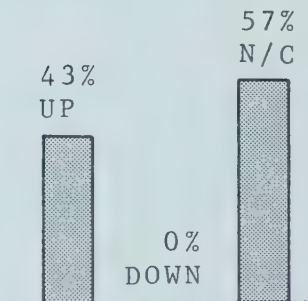
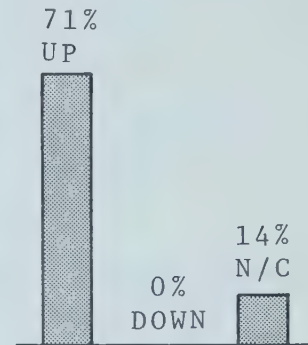
PROFIT UP
0% to +13%



EMPLOYMENT
NO CHANGE

1972 OUTLOOK

(as a % of Replies)



"The number of U.S. housing starts has a major impact on the buoyancy of the entire North American forest industry. With this in mind, as well as the 1972 U.S. election, we look for a good year in 1972, but are quite concerned that there could be a drastic drop-off in sales returns for 1973...

Throughout North America, many new high production mills have either commenced production in late 1971, or are expected to commence production during 1972. This extra production will result in a probable oversupply in late 1972 and most definitely in 1973... Like everything else, the trend to larger plants and specialized plants is now sweeping through the industry creating highly competitive situations that must be reckoned with in the future. "

Forecasted Changes in Various Economic Indicators for
the Forestry Industry

	Percentage Page
	1971 - 1972
Lumber Production	+ 8 %
Lumber Sales	+ 6 %
Lumber Exports	+30 %

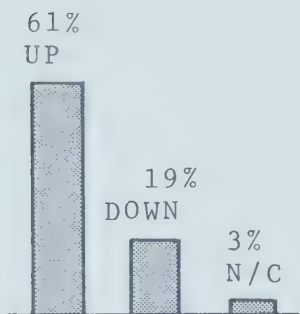
Pulpwood

Production of pulpwood in Alberta for the first half of 1971 was down over 80 per cent from the 1970 level, directly attributable to a strike in the industry. Further, the industry is faced with a reduced demand for Canadian pulp combined with soft prices. The situation could improve, however, if the U.S. economy strengthens and the exchange rate for the Canadian dollar declines relative to the U.S. dollar.

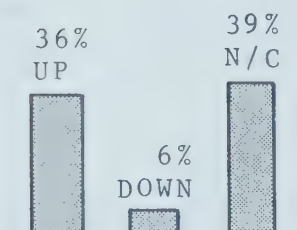
In the latter half of 1972, it is expected that pulpwood production in Alberta will increase as inventories are built up at the Proctor and Gamble Ltd. pulp mill south of Grande Prairie.

Transportation, Communications & Utilities INDUSTRIES

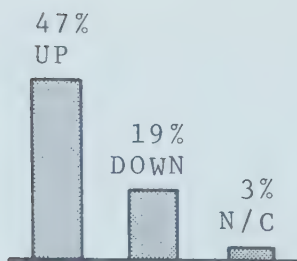
1971 REVIEW
(as a % of Replies)



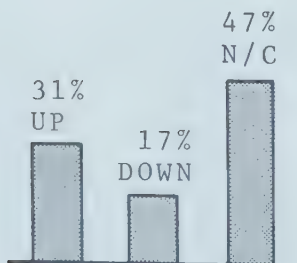
REVENUE UP
+7% to +10%



PRICES UP
0% to +5%

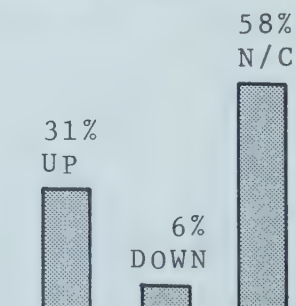
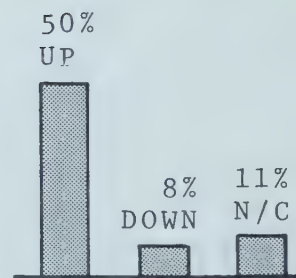
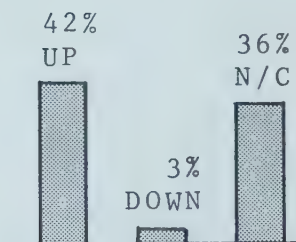
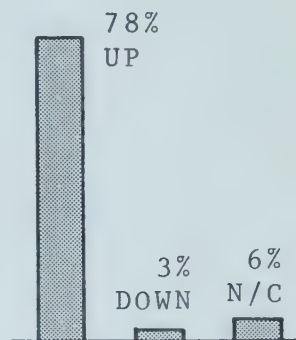


PROFIT UP
+3% to +12%



EMPLOYMENT UP
0% to +3%

1972 OUTLOOK
(as a % of Replies)



TRANSPORTATION, COMMUNICATIONS AND UTILITIES

Transportation

Sales revenue increases for 1972 are forecast by 83 per cent of the respondents in the transportation industry, but positive expectations for profits are registered from only 46 per cent of the firms. In contrast, none of the firms expect any decrease in profits in 1972.

"Although numerous problems still confront the airline industry generally, those firms operating within or from the Province of Alberta appear to face fewer economic problems than those in other parts of the country. This has to be attributed, in large part, to the increased oil activity in the far northern regions, and a generally healthy provincial economy.

Like most other industries, many airline companies, including our own, instituted major 'belt tightening' programmes during the year in order to minimize the effects of increased labour, material, taxes and other costs of profits. It is expected that such programmes will be continued on into 1972.

The year 1972 should see further improvement in revenues, particularly if some of the major projects now being planned in the province come to fruition and require the support of airline services. A major oil strike in the far north could have a very favourable effect on airline services (both charter and schedule) being operated from Alberta."

R. Eyton, Vice-President,
Northern Region,
Pacific Western Airlines.

"Although 1971 was a year in which economic uncertainties prevailed, the demands for transportation, particularly in the resource area, were buoyant. Despite the U.S. surcharge, movements of goods to U.S. markets remained

. . . continued

at a surprisingly high level. The outstanding weak spot was in the pulp market.

The removal of the surcharge and the devaluation of American currency are expected to cause expanded demand for Canadian goods if the Canadian dollar remains at or below par with the U.S. dollar. This should also be of benefit to Canadian exports in other major world markets such as Japan, Great Britain and the European community."

Communication

In the communications industry, 50 per cent of the respondents indicated increases in sales revenues for 1971 and expect increases again in 1972. Optimism is due, in part, to the increase in advertising expenditures by manufacturers and retailers.

"During 1971 radio broadcasting -- a service industry, experienced one of its better years. Much knowledge can be gained about the state of the economy, by checking whether retailers are expanding or decreasing advertising budgets. There is no question that Alberta's generally healthy economy was reflected in the good year this radio station has just concluded.

We have, in projections for business in 1972, every reason to be optimistic. Retail and national advertising bookings on this station are running 50 per cent ahead of the picture of one year ago."

"The general outlook for 1972 in this Province seems to be a most healthy one, indeed, and I would look for an increase in almost all areas of the economy....

Wages and costs will tend to escalate this year and this will be a major difficulty for the newspaper industry as well as in all other sectors of the economy. This represents the single most difficult factor to be faced. There is no sign that inflationary tendencies will lessen during 1972."

Utilities

All utility companies have been relatively unaffected by the slow growth in the economy in recent years, reporting increased sales revenue for 1971 and with positive expectations for 1972.

"The pattern of economic growth in Alberta, closely paralleling the rest of Canada, has been one of constantly growing power consumption. Furthermore, it has been assisted by the steadily reducing price of electricity in contrast to the steadily rising prices for almost everything else. This was accomplished mainly by passing on to the consumer many of the economies of scale and technological advancements and improvements in power production.

With the continuation of the rapid growth of Alberta's economy a continued high growth in power consumption can be expected although there are some indications of slackening in the longer term. The greater emphasis on upgrading the environment by cleaning up the air and water, recycling material, increasing productivity and improving social conditions opens up new uses for electricity. The industry has found itself to be highly sensitive to the rapid rate of inflation experienced over the past five years or so. At the moment there are no signs of a significant slow-down in the inflationary process with the result that the price of electricity must eventually rise, but irrespective, Alberta remains one of the lowest priced areas for electricity in North America."

A.W. Howard, President,
Calgary Power Limited.

"1971 has seen a significant increase in housing construction in our area but some levelling off in completions of new industrial and commercial installations. Consequently, our load growths are down slightly from 1970 and indications are that a similar trend may continue in 1972.

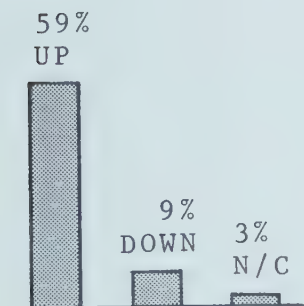
. . . continued

However, our load growth factors and expansion required to meet them are still significantly above the national averages and there is no indication that this comparison will change significantly in the near future. Continuing development and general economic expansion in our area as well as increased and additional uses for our product will sustain our high growth rates in the foreseeable future."

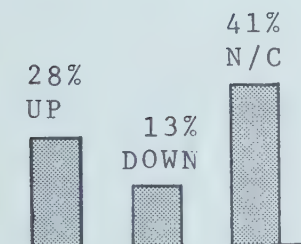
Investment, Finance & Other Service INDUSTRIES

1971 REVIEW

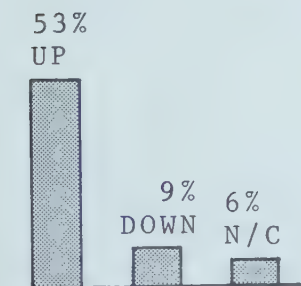
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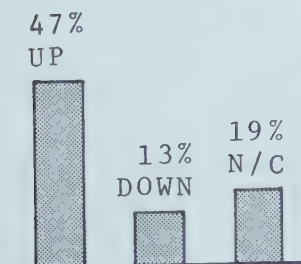
REVENUE UP
+5% to +15%



PRICES UP
0% to +5%



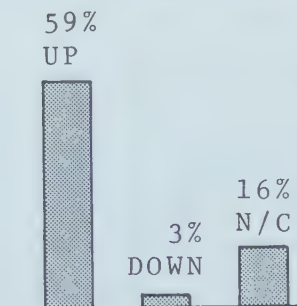
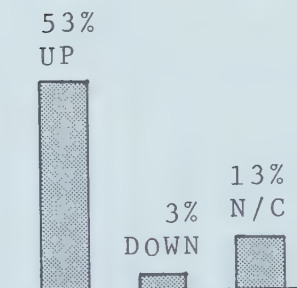
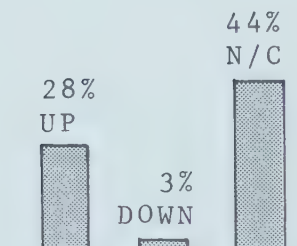
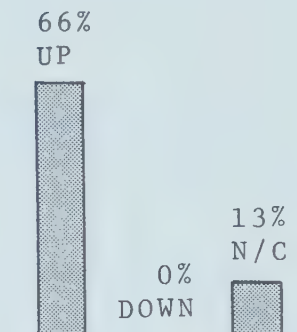
PROFIT UP
+5% to +20%



EMPLOYMENT UP
+2% to +10%

1972 OUTLOOK

(as a % of Replies)



INVESTMENT, FINANCE AND OTHER SERVICES

Investment

"The projections of the Calgary Stock Exchange to the end of the calendar year indicate a $5\frac{1}{2}$ million share volume decrease from 26,350,000 shares to 20,870,000 shares. This is the lowest volume since 1963.

It is anticipated that a corresponding reduction of $\$5\frac{1}{2}$ million will be reported in the dollar value of shares traded - from \$17,000,000 to \$11,600,000, the lowest dollar value since 1965.

This decline in local investment interest is all the more disappointing in view of the availability of greater opportunity created for junior resource companies in development in the more readily accessible areas by the transfer of major interests to the Arctic and Eastern Canada.

The resource companies feel that those areas of uncertainty which received some degree of clarification during the year disclosed economic and fiscal conditions not contributory to development and exploration.

Without judging the merits or existence of economic nationalism and regional disparity, there can be little doubt but that the supply of risk or investment monies is thereby severely curtailed.

It is extremely difficult to project trends during 1972 without prior knowledge of provincial, national and international politics. On the one hand, an increase in provincial royalties would have an inhibiting effect, bearable perhaps, by major resource companies and a very severe curtailment to exploration or development by junior companies. On the other hand, increasing attention is being given to the encouragement of secondary industry. It has long been recognized by the Exchange that diversification by the encouragement of industrial listings is imperative to the continued growth of the Exchange and of the province. During the past year, industrial trading volume increased $1\frac{1}{2}$ times which increase greatly exaggerates the growth of industrial companies since the dollar value is expected to increase by only some \$600,000.

. . . continued

However, there is an air of greater buoyancy as we move into 1972 than did exist at the same time last year."

J. R. Thomson,
Executive Manager,
Calgary Stock Exchange.

Finance

"Our gross revenues increased modestly during the year, but this was not sufficient to overcome increased operating costs, with the result that profits before taxes declined marginally from the previous year. Despite easier economic conditions and a more plentiful supply of loanable funds, industry in general was slow to increase its borrowing demand with the result that this Bank, along with its associates in the industry, enjoyed a very high liquidity ratio for the latter part of the year which, of course, had a direct effect on profits. Compounding this was the fact that many large corporations were accommodated by street and other monies.

This Bank is expanding rapidly in Alberta and the costs of this expansion had a direct effect on overall profitability.

From our viewpoint, the economic outlook in Alberta for 1972 is favourable. In agriculture, grain and livestock markets appear more firm and this should lead to pressures for increased borrowing for operating and livestock purchases. The petroleum industry is much more uncertain. It is possible we will see higher export quotas to the U.S. in 1972, with the result that revenues will increase and there will be a corresponding increase in expenditures to finance off-shore and far northern exploration. However, it is not expected that these activities will have a marked effect on loan and deposit figures.

We are projecting an increase in profits for 1972, but the uncertainty in the petroleum industry, the problem of holding operating costs at reasonable levels and the impact of expansion outlays may prove that we are overly optimistic in this regard. Nevertheless, a modest increase in net return before taxes can be expected. "

"In my opinion, we have certain important issues facing us during the next twelve months. We have the challenge of interpreting the massive new Tax Act from both a corporate and personal point of view. Bill C-259 results from the Carter Commission and the White Paper on Taxation wherein Canadians were given the opportunity to express their views through governmental committees. The problem lies in the complexity of the new Bill and the real task will be for the business community and individuals to obtain a thorough understanding of the new Tax Act, to facilitate the process of decision making.

Another important issue is the future course of the exchange rate for the Canadian dollar and the reaction of business to external competitive forces confronting Canada. The exchange rate for the Canadian dollar has been floating since June 1, 1970, thereby causing a realignment of our position in world markets. As countries adjust to the new trade and financial conditions, we in Canada must aggressively seek out new markets for our products abroad. The U.S. surcharge on imports has again shown our sensitivity to policies formulated in Washington, and we accordingly should endeavour to further diversify our trade geographically in order to lessen the impact on our economy of policy decisions made in any one country.

We should continue to be confident about our future economic outlook, particularly in Alberta, where projected growth rates are favourable. It is essential that we continue to improve productivity with management providing efficient leadership to achieve this desirable goal.

The present Petroleum and Natural Gas Royalty Regulations came into force on April 1, 1962, for a ten-year period and thereafter until changed by the Government. Our Provincial Government is reviewing carefully the royalty structure, the revenues from which have been a long-time pillar of public finance for Alberta. We wish to further encourage exploration in our province, while at the same time seek revenues to meet the increasing costs of commitments in the public sector. Exploration emphasis is shifting to the north and east off-shore and Alberta must compete with these areas for exploration commitments.

Economic opportunities for Alberta from a proposed Arctic pipeline are significant in every respect. The financing of this venture represents a major challenge to the Canadian

. . . continued

capital market. It is important that leadership from the private and public sectors make this pipeline a reality. We in Alberta cannot help but benefit from the many ramifications of this ambitious project."

"1971 for trust companies has not been an easy year in Alberta. At one stage there was a shortage of funds for lending. There was considerable uncertainty about the rates of interest and there was a continuation of the rising cost of operation with wages and all other costs continuing to rise. During part of the year it was hard to improve the spread between the cost of the money and the rate of interest which one received on it. During the course of the year, some of these problems were less noticeable and the fall in the rates of interest made a recovery in profits possible. The continuing high rate of construction will continue to provide a ready market for funds available. Within the industry itself, there has been a reluctance to lend money for condominium properties because of the somewhat unsatisfactory experience in Ontario. As far as our industry is concerned, the Competition Act itself is not of too great significance although it may affect us to some extent. The United States new economic program is likely to create a very favourable climate in that country for business activity and something akin to boom conditions may be experienced before the end of 1972. It is quite realistic to expect that this increase in prosperity will flow over into Canada and one can only hope that it is not going to affect the existing inflationary trends to any great extent."

Real Estate

"The proposed Competition Act (Bill C-256), as originally presented, could have a disastrous effect on organized real estate as it presently exists in the Province of Alberta and in the other Provinces of Canada. It could particularly destroy the multiple listing system which has taken many years to develop and which has and is providing the general public an excellent service at a reasonable cost. This Act could destroy in a short time what has taken the real estate industry many years to build up so as to assure the general public of 'fair and equitable' real estate dealings. The local and provincial real estate board organizations have done much to improve the standards of the real estate sales business. At

. . . continued

the same time there is no compulsion whatsoever for a person or firm to be a member of a real estate board. This simply means that competition does very definitely exist as between board and non-board members as well as between board members which provides the public with a competitive choice as to the cost of the service offered by those engaged in the real estate industry.

The Alberta Real Estate Act should be reviewed at an early date by the Provincial Government with representatives of the industry as there are certain sections of the Act that are unnecessarily onerous on the industry.

The outlook for the real estate business, subject to what has been set forth above, is reasonably good for the year 1972. Providing the Competition Act Bill does not completely upset the industry, we believe we can look forward to a moderate increase in sales with prices remaining reasonably stable during 1972."

J. A. Weber, President,
Weber Bros. Realty Ltd.

"1971 saw a tremendous boom in residential construction with record housing starts in Calgary and Edmonton resulting in a tremendous volume of mortgage funds being invested in Alberta.

In 1972, as a result of the 1971 boom, housing units are not expected to maintain the same volume of production in order to allow time for the over-production of housing units to be absorbed. Less mortgage money will be required and interest rates should continue on the downward trend until at least mid-1972. General demand for capital may force rates up again in the latter part of 1972."

TRADE

"A late fall and rising wholesale prices were the main reasons for 1971 being a substantially improved year compared to 1970. The consumer, generally speaking, appeared to have more disposable income than in 1970. It also appeared to us that the farm community had more actual cash on hand at the end of 1971 than it had in the previous 3 or 4 years.

In my opinion, 1972 should, after a rather average first quarter, turn out to be an excellent year in terms of both sales and profits. Rising operating costs will continue to be one of the most demanding areas for everyone concerned. Labour costs will continue to rise without the required improvement in productivity...."

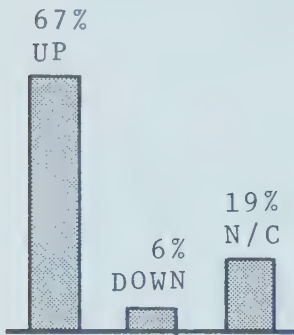
Expenditures on goods and services in Alberta for the first three quarters of 1971 suggest the beginning of renewed confidence by the consumer. Retail trade for the first nine months of 1971 was more than \$100 million or 7 per cent higher than for the same period in 1970. A monthly comparison of retail trade for 1970 and 1971 indicates that year-end retail activity is up 8 per cent. The volume of new motor vehicle shipments into Alberta was up over 13 per cent while the dollar value increased almost 15 per cent during the first 9 months of 1971.

In total, consumer spending is expected to increase at least 8 per cent in 1972. Sales of non-durable goods are expected to register normal gains. The main boost to consumer spending will come from such durable goods as motor vehicles. Sales of household goods are expected to show improvement, especially with the increased number of purchases expected from new home owners.

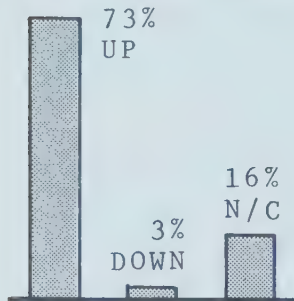
TRADE

1971 REVIEW

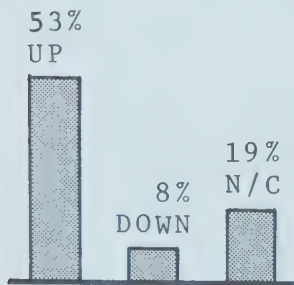
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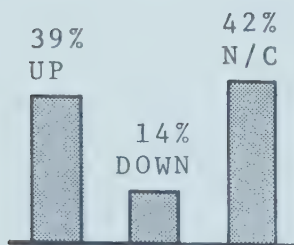
REVENUE UP
5% to +15%



PRICES UP
+3% to +5%



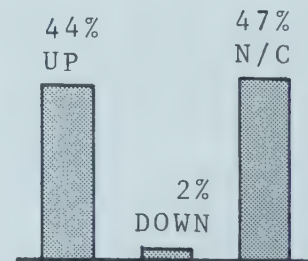
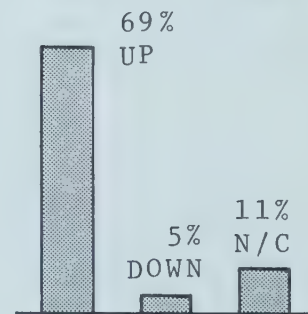
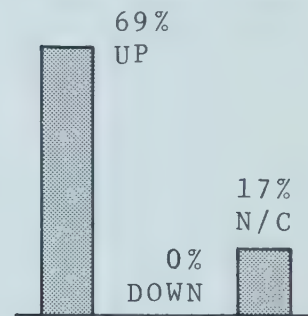
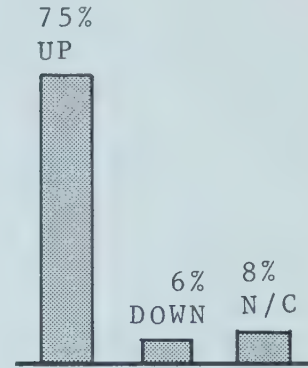
PROFIT UP
+5% to +10%



EMPLOYMENT UP
0% to +5%

1972 OUTLOOK

(as a % of Replies)



"It is our opinion that the economy will continue to grow, even taking into consideration the inflationary factor. We anticipate sales increases will be as good from existing plants as in the past few years and with the addition of a third plant for us, we should enjoy an excellent sales volume year. However, the cost of sales will continue to accelerate and it will become increasingly difficult to maintain profits. Wages will rise, cost of supplies will rise, transportation costs will rise, maintenance costs for plant and equipment will rise, costs of goods will rise and there will be very little opportunity for improving mark-up. Inventories will continue their upward trend as customers demand broader assortments.

The proposed Competition Act (Bill C-256) will increase the cost of goods and ultimately will be passed on to the consumer. The competition in Alberta between department stores and promotional department stores is so keen that no act of legislation could possibly create a better atmosphere for the consumer in which to purchase.

Bill C-253 (Labour Act) is ill-conceived and poorly timed, and should be withdrawn. It will be very harmful to labour relations. Inflation will continue at a rate of 3.4 per cent or more."

Forecasted Changes in Various Economic Indicators

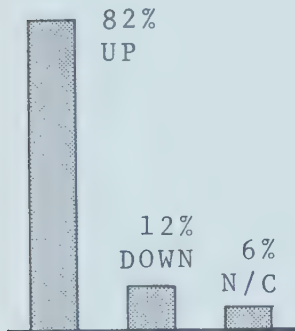
- Trade -

	Percentage Change	
	1972	1971
Value of Retail Trade	+8%	

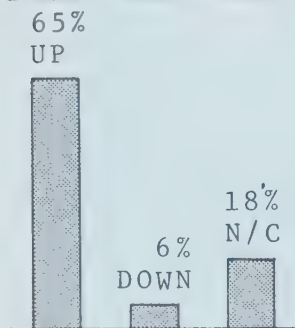
RECREATION & TRAVEL INDUSTRY

1971 REVIEW

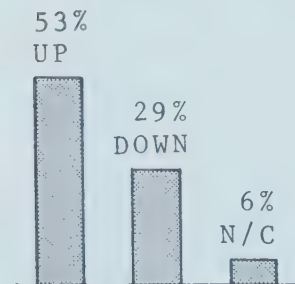
(as a % of Replies)



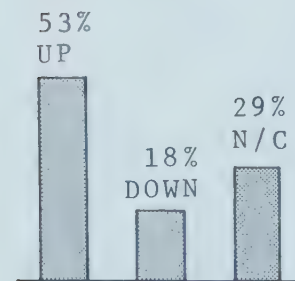
REVENUE UP
+5% to +10%



PRICES UP
+2% to +7%



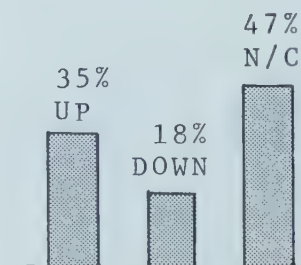
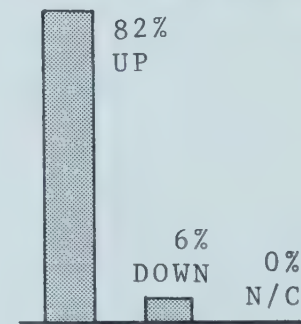
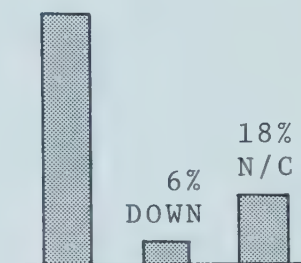
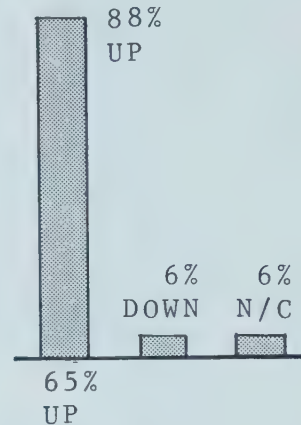
PROFIT UP
+7% to +15%



EMPLOYMENT
0% to +4%

1972 OUTLOOK

(as a % of Replies)



RECREATION AND TRAVEL INDUSTRY

"The visitor industry in Calgary for 1971 was excellent. Modest increases over 1970 were reported by all segments of the industry-- hotels, motels, restaurants, service stations, etc.

Based on all reports plus this association's own registration sheets (at five locations), actual counts on highway traffic, with incoming passenger figures for trains, buses, and airlines as well, it is estimated the over-all increase to be a minimum of 8 per cent over 1970.

1972 is expected to reach some 10 per cent more than 1971. This prediction is based on a number of factors:

Greater promotion activity, increased efforts by federal and provincial governments, more emphasis on 'shoulder' months for skiing, special events, etc. to build up a visitor volume other than during peak summer months."

Calgary Tourist and
Convention Association.

"Economic conditions have not been favourable for the hotel industry and are quite similar to the same period last year. At that time, economic conditions were far from good and it was hoped that an upswing would occur in the early part of this year. This improvement did not materialize. Present economic indicators are still not encouraging and would suggest that the future might be regarded with a degree of caution and some apprehension. Convention business, which would have greatly improved room occupancy, did not develop to the extent anticipated and as a result, room occupancy only equalled last year...

To further aggravate conditions, inflationary cost pressures are still being felt in the form of higher negotiated wage rates, higher cost of goods and increased operating costs..."

D. A. Williams,
General Manager,
C. P. Hotel Palliser

"There was little evidence that business or economic trends materially affected the volume of people or revenue into this area last year, and we are not anticipating any difficulty in this direction for next year. There are always some problems in isolated regional areas, but in the overall picture, business continues to show a steady improvement into the Jasper National Park area, and we see no reason for any change in this trend during 1972."

H.K. Pickering,
General Manager,
Jasper Park Lodge,
Canadian National Hotels.

"The summer hotel season is operating close to capacity in the July 4th to August 20th period. The winter resort season is slowly developing and it is particularly busy during February to April inclusive. This period can be further expanded as more facilities are created to response to the market demand. There is room for growth in all other periods, but more especially in the October 15th to December 15th and mid-April to mid-June periods.

We are vitally dependent on the United States tourist and any travel restrictions imposed by their Government, or any drastic decline in the value of their dollar in Canada, will seriously affect our industry. At present, indicators are that there will be no decline in 1972."

The preceding quotes indicate that the 1972 outlook for the travel industry is somewhat mixed. Major concerns seem to be increasing labour, material and operating costs; and the effect the floating of the Canadian dollar in relation to its U.S. counterpart will have on the travel plans of Americans and Canadians.

Certainly this mixed reaction by the industry is not unusual under the present uncertain economic environment. This is particularly true since the travel industry is characterized by a very sensitive demand. Vacation

and pleasure travel especially are viewed as luxury goods and are therefore easily postponed. Business and personal travel are, of course, not as easily affected. Nevertheless, there can be no doubt that a combination of increases in industry prices and other adverse economic developments can have relatively large depressing effects on the travel industry.

The industry is forecasting an increase of 8 per cent in sales revenue in 1972. The table on page 41 indicates 88 per cent of the respondents are expecting increases in their revenues in 1972 as compared to 82 per cent in 1971. Increases in 1972 are also predicted for prices, employment and capital expenditures.

It should be noted that the proportion of respondents planning increases in capital expenditures is up significantly at 59 per cent from the 41 per cent who indicated they increased their investment during 1971 over 1970. On the other hand, only 35 per cent expect increases in employment as compared to the 53 per cent who experienced increases in 1971.

DEFINITION OF TERMS

Definitions and explanation of terms pertinent to proper interpretation of any figures contained in this report are listed below:

Average: Simple average of replies, responses.

N/C or No Change: Respondent indicates no significant variance indicator
i. e. (a 0% change).

Mid 50% Range: The mid 50 per cent range of replies deletes the upper and lower 25 per cent of responses (or an upper and lower quartile deletion).

% of Replies, or % of firms responding: Statistics are based on total replies (even if a respondent leaves a blank space for his response).

Therefore, in cases where the total replies contain "blank" responses the increase, decrease, and N/C statistics will not add to 100 per cent.

Note should be made of the concept, AVERAGE, which refers to the unweighted average of responses. Many readers will interpret the simple average to include expected total industry performance. Therefore, caution was exercised to use averages only when it was judged that the sample content was representative of the industry. To further qualify and to show the varied responses, a mid 50 per cent range has also been shown.

For further clarification on any aspect of this report, please direct your questions to:

Economic Research Branch,
Department of Industry and Commerce,
Room 1502, Centennial Building,
Edmonton, Alberta.
Attention: E.G. Shaske, Supervisor,
Economic Analysis.

